

## Message Text

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ORIGIN ARA-10

INFO OCT-01 FEA-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-02 RSC-01 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

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APPROVED BY ARA/ECP:WEKNEPPER

STR:LGRACE (SUBSTANCE)

USOAS:ANOONAN (SUBSTANCE)

E:DWOD (SUBSTANCE)

EB/OT:MGLITMAN (SUBSTANCE)

S/S:JMEALUM

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

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E.O. 11652: N/A

TAGS: XM, ETRD

SUBJECT: BRIEFING OF LATIN AMERICAN AMBASSADORS ON THE  
TRADE ACT

REF: STATE 8923, STATE 8935

1. A BRIEFING ON THE TRADE ACT WAS HELD IN THE STATE  
DEPARTMENT INTERNATIONAL CONFERENCE ROOM, TUESDAY AFTERNOON,  
JANUARY 14, FOR LATIN AMERICAN WHITE HOUSE AND OAS AMBAS-  
SADORS. THE AMBASSADORS WERE GIVEN A COPY OF THE MEMOR-  
ANDUM ON THE TRADE ACT AND LATIN AMERICA (STATE 8923)  
AND PHOTO COPIES OF THE TRADE BILL, AS PRINTED COPIES ARE  
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NOT EXPECTED TO BE AVAILABLE PRIOR TO JANUARY 20.

2. THE BRIEFING WAS OPENED BY UNDER SECRETARY FOR ECONOMIC AFFAIRS, CHARLES ROBINSON, WHO STRESSED THE GROWING INTERDEPENDENCE OF THE WORLD TODAY AND EMPHASIZED THAT WE HOPE TO MAKE SIGNIFICANT PROGRESS IN DEVELOPING NEW, MULTILATERAL TRADING RELATIONSHIPS.

3. AMBASSADOR HARALD MALMGREN, DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, DESCRIBED THE DOMESTIC ECONOMIC AND POLITICAL BACKGROUND IN WHICH THE TRADE LEGISLATION HAD BEEN DEVELOPED. SINCE THE EXPIRATION OF PREVIOUS TRADE NEGOTIATING AUTHORITY IN L9DD 1967, SPECIFIC TRADE PROBLEMS HAD CONTINUALLY RECURRED, AND THERE HAD BEEN DEMANDS FOR PROTECTIONISM IN SOME SECTORS OF OUR ECONOMY. IN AN EFFORT TO DEVELOP AN OVERALL APPROACH TO BETTER MANAGE THESE TRADE PROBLEMS, IT WAS DECIDED TO SEEK NEW TRADE LEGISLATION. ON THE WHOLE, THE NEW LEGISLATION, WHICH WAS OVER TWO YEARS IN THE MAKING, WAS OUTWARD-LOOKING AND INTERNATIONALLY ORIENTED. AMBASSADOR MALMGREN STRESSED THAT THE TRADE ACT WAS EXTREMELY COMPLEX, COVERING ALL FACETS OF OUR TRADE POLICY AND CHANGING MANY OF OUR DOMESTIC PROCEDURES FOR MANAGING TRADE PROBLEMS. THE CONSTITUTION HAD GIVEN THE POWERS TO REGULATE FOREIGN COMMERCE TO THE CONGRESS, AND THE EXECUTIVE ONLY EXERCISED THOSE AUTHORITIES THAT WERE DELEGATED TO IT BY THE CONGRESS. TO PASS THE TRADE ACT, IT HAD BEEN NECESSARY TO RECONCILE DOMESTIC PROTECTIONIST TENDENCIES WITH A FORWARD-LOOKING INTERNATIONAL SECTION PROVIDING AUTHORITIES TO NEGOTIATE. THE RELATIONSHIP BETWEEN THE CONGRESS AND THE US EXECUTIVE WAS VERY COMPLEX, AND WAS MUCH CLOSER IN THIS THAN IN PREVIOUS TRADE LEGISLATIONS, WITH CONGRESSIONAL STAFF MEMBERS TO BE PRESENT IN GENEVA DURING THE NEGOTIATIONS AND THE EXECUTIVE REQUIRED TO SEEK THE APPROVAL OF CONGRESS ON THE IMPLEMENTATION OF AGREEMENTS ON NONTARIFF BARRIERS. THE TARIFF NEGOTIATING AUTHORITIES IN THE ACT ARE IMPORTANT, AND ARE PARTICULARLY OF INTEREST TO LATIN AMERICA BY MAKING POSSIBLE THE REDUCTION OF TARIFFS ON A WIDE RANGE OF MANUFACTURED AND SEMI-UNCLASSIFIED

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MANUFACTURED PRODUCTS, WHICH WOULD SERVE TO MAKE FURTHER LATIN AMERICAN PROCESSING OF RAW MATERIALS MORE COMPETITIVE IN THE US MARKET. THE ACT CONTAINS AUTHORITY TO WORK OUT NEW RULES ON NONTARIFF BARRIERS, SUCH AS EXPORT SUBSIDIES AND COUNTERVAILING DUTIES, PRODUCT STANDARDS, AND GOVERNMENT PROCUREMENTS. WITH REGARD TO GSP, AMBASSADOR MALMGREN WAS NOT PLEASED WITH THE STRICTNESS OF SOME OF THE CONDITIONS IN THE ACT. HE EXPLAINED,

HOWEVER, THAT THE STRONG FEELINGS IN CONGRESS, PARTICULARLY AS REFLECTED ON SUPPLY ACCESS ISSUES, RESULTED IN THE CONDITIONS IN THE ACT THAT MUST BE MET TO OBTAIN GSP. IT WAS OVER THE STRONG OBJECTIONS OF THE EXECUTIVE THAT THE CONDITIONS TO BE DESIGNATED A BENEFICIARY OF GSP ARE PHRASED AS THEY ARE IN THE ACT. THE EXECUTIVE IS CONTINUING ITS DISCUSSIONS WITH THE CONGRESS ON THE

LATITUDE ALLOWED WITHIN THESE CONDITIONS.

4. MAYNARD GLITMAN, DEPUTY ASSISTANT SECRETARY FOR TRADE POLICY IN THE BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, EMPHASIZED THE POSITIVE ASPECTS OF HAVING OBTAINED, DURING A PERIOD OF DISTURBED INTERNATIONAL ECONOMIC CONDITIONS, LEGISLATION CONFIRMING THE US COMMITMENT TO A LIBERAL TRADING SYSTEM AND THE US RECOGNITION OF INTERDEPENDENCE. THE GENEVA MULTILATERAL TRADE NEGOTIATIONS WILL BE IMPORTANT IN LOWERING BOTH TARIFF AND NONTARIFF BARRIERS TO TRADE, AND THE US LOOKS FORWARD TO WORKING CLOSELY WITH THE LATIN AMERICANS IN GENEVA DURING THE NEGOTIATIONS, WHERE THE US AND LATIN AMERICAN DELEGATIONS WILL HAVE A SPECIAL RELATIONSHIP. CONCERNING THE SYSTEM OF GENERALIZED PREFERENCES (GSP), THE OAS/SCCN HAS MADE AN IMPORTANT INPUT INTO THE PREPARATION OF THE PROPOSED US PRODUCT LIST FOR GSP. THE EXECUTIVE WILL SOON SEND TO THE INTERNATIONAL TRADE COMMISSION THE PROPOSED GSP PRODUCT LIST FOR ITS RECOMMENDATIONS, WHICH IS EXPECTED TO TAKE SIX MONTHS, FOLLOWING WHICH A FINAL REVIEW WILL BE MADE IN THE EXECUTIVE AND THE GSP SYSTEM PLACED IN OPERATION. ON QUESTIONS OF SUPPLY ACCESS, THE US IS AUTHORIZED TO ENTER INTO NEGOTIATIONS WHICH COULD, FOR EXAMPLE, RESULT IN TARIFF CONCESSIONS ON US IMPORTS IN EXCHANGE FOR LOWERING OF EXPORT TAXES BY LDC'S. THIS UNCLASSIFIED

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WOULD HAVE THE EFFECT OF ASSISTING THOSE LDC'S THAT WISH TO INCREASE THE DOMESTIC PROCESSING OF THEIR RAW MATERIALS.

5. WILLIAM ROGERS, ASSISTANT SECRETARY OF STATE FOR INTERAMERICAN AFFAIRS, SAID THAT THE BRIEFING HAD BEEN CALLED TO PLACE BEFORE THE AMBASSADORS COPIES OF THE TRADE ACT, WHICH HAD PREVIOUSLY NOT BEEN AVAILABLE, AND OTHER MATERIALS INCLUDING THE MEMORANDUM, THE TRADE ACT AND LATIN AMERICA, WHICH POINTED OUT THE SIGNIFICANCE OF THE LEGISLATION TO LATIN AMERICA, AND THE CONSIDERABLE IMPORTANCE TO THE REGION OF LIBERALIZING WORLD TRADE. HE URGED THAT THE TRADE ACT BE STUDIED CAREFULLY, AS IT WAS HIGHLY COMPLEX AND REQUIRED CAREFUL, TECHNICAL ANALYSIS. HE STRESSED THAT THE EXECUTIVE WAS WORKING OUT

ITS POSITION WITH REGARD TO A CONSIDERABLE NUMBER OF PROVISIONS IN THE BILL. THE ADMINISTRATION IS PREPARED TO MAKE TECHNICAL EXPERTS AVAILABLE TO DISCUSS WITH THE LATIN AMERICANS ANY QUESTIONS THEY MAY HAVE CONCERNING THE LEGISLATION, IN ANY FORUM THEY DEEM APPROPRIATE.

6. THE OAS'S AMBASSADOR FROM PERU, DR. LUIS ALVARADO, PRESIDENT OF THE OAS PERMANENT COUNCIL, RESPONDED ON

BEHALF OF THE LATIN AMERICANS. HE EXPRESSED LATIN AMERICA'S PROFOUND PREOCCUPATION AND PROTEST OVER THE ENACTMENT OF THE TRADE ACT WHICH CONTAINED COERCIVE AND DISCRIMINATORY MEASURES AGAINST LATIN AMERICAN COUNTRIES, AND WHICH IS IN VIOLATION OF INTERNATIONAL AGREEMENTS AGREED TO BY THE US, ESPECIALLY THE OAS CHARTER. THE OAS PERMANENT COUNCIL WILL MEET ON MONDAY, JANUARY 20, AT THE REQUEST OF VENEZUELA, ECUADOR, COLOMBIA AND PERU, TO DISCUSS THE MEASURES AND ACTIONS WHICH SHOULD BE TAKEN WITHIN THE OAS SYSTEM TO RE-ESTABLISH ORDER AND THE CLIMATE OF AGREEMENT THAT SHOULD REIGN IN US-LATIN AMERICAN RELATIONS. THE COUNCIL WILL STUDY, TOGETHER WITH US REPRESENTATIVES, THE TRADE ACT, AND HOPES THE US WILL AMPLIFY AND MAKE MORE PRECISE THE VIEWPOINTS ALREADY EXPRESSED.

7. COMMENT: THE ADMINISTRATION IS CURRENTLY ENGAGED  
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IN WORKING OUT ITS POSITIONS ON THE TRADE ACT, WHICH IS HIGHLY COMPLEX AND TECHNICAL. WE ARE PREPARING A RESPONSE TO CHARGES THAT THE TRADE ACT VIOLATES VARIOUS INTERNATIONAL AGREEMENTS, AND GUIDANCE WILL FOLLOW ON THE SUBJECT. WE INTEND TO CONTINUE TO EMPHASIZE THE POSITIVE ASPECTS OF THE TRADE ACT FOR LATIN AMERICA, AND THE DESIREABILITY OF OUR REMAINING IN CLOSE CONTACT AS THE GENEVA MULTILATERAL TRADE NEGOTIATIONS DEVELOP AND AS THE US SYSTEM OF GSP IS IMPLEMENTED. KISSINGER

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